



Natural Resource Accounting (NRA)

For Prelims: Natural Resource Accounting (NRA), System of Economic and Environmental Accounting (SEEA), Sustainable Development Goals (SDGs), Government Accounting Standards Advisory Board (GASAB), CAG

For Mains: Natural Resource Accounting (NRA) - its significance, India's initiatives and challenges in its implementation

Why in News?

Recently, the [Comptroller and Auditor General of India](#) has stated that it would be coming up with **report on Natural Resource Accounting (NRA)** by November 2022.

- It is an attempt to develop accounting systems to help monitoring their responsible utilisation, which will in turn lead to sustainability.

What is Natural Resource Accounting (NRA)?

▪ About:

- Natural Resource Accounting is a process of estimating the value of natural resource depletion and environment degradation due to economic activities.
- The concept of NRA was emerged to capture the intimate **interplay between the various components of the natural environment and the economic progress of a country.**
- It is based on the concept - '**measurement of a resource leads to its better management**'.

▪ Historical Perspective:

- The need for NRA took its **first step at the [United Nations \(UN\) conference on Human Environment in 1970 \(Stockholm Conference\)](#)** when the relationship between economic development and environmental degradation was discussed for the first time.
- The **Brundtland Commission**, set up by the UN, articulated the idea of close association between the environment and economic activities in 1987, which was followed up by environmental accounting and the **[Earth Summit at Rio de Janeiro in 1992.](#)**

What are the Initiatives Taken to Promote NRA?

▪ Initiative at Global Level:

- UN General Assembly resolution titled, "**Transforming our world; the 2030 agenda for sustainable development**" (25th of September, 2016) which got the approval of more than 190 countries, **requires the preparation of Natural Resource Accounts.**
 - **India is a signatory to this resolution.**
- The UN, in 2012, adopted the **[System of Economic and Environmental Accounting \(SEEA\)](#)**. It is the **latest internationally accepted framework for NRA.**
 - Around 30 nations like Australia, Canada, China, France, and Germany have

attained various degrees of success in adopting environmental accounting.

- The **Natural Capital Accounting and Valuation of the Ecosystem Services (NCAVES) Project**, funded by the European Union, has been jointly implemented by the **United Nations Statistics Division (UNSD)**, the **United Nations Environment Programme (UNEP)** and the **Secretariat of the Convention of Biological Diversity (CBD)**.
 - **India** is one of the **five countries taking part in this project** - the other countries being **Brazil, China, South Africa and Mexico**.
 - It is an umbrella term covering efforts to make use of an **accounting framework** to provide a systematic way **to measure and report on stocks and flows of natural capital**.
- **India-Specific Initiatives:**
 - The CAG established the **Government Accounting Standards Advisory Board (GASAB)** in 2002 with the aim to improve standards of Governmental accounting and financial reporting to enhance the quality of decision-making and public accountability.
 - It consists of **representatives of all accounting services in GoI, regulatory authorities like RBI, ICAI and State Governments**.
 - The CAG of India is also a **member of an international body of Supreme Audit Institutions, called WGEA (Working Group on Environmental Auditing)**, which suggested (2010) that the audit institutions should aid their countries to adopt Natural Resources Accounts.

What is the Significance of Natural Resource Accounting?

- **Interrelation between Economy and Environment -**
 - Quantifies the nonrenewal damage to the environmental resources and assists in determination of development in real terms.
- **Aid to policy framing: sound database -**
 - To help policy makers to understand the potential impact of their decisions.
- **Managing SDGs -**
 - NRA has deep inter-linkages with the **Sustainable Development Goals (SDGs)** as 4 out of the 17 goals directly relate to management of natural resources and their accounting.
- **Combating Climate change -**
 - Asset and flow accounts have been recognized as a useful framework for monitoring, measuring and analysing climate change.
- **International commitments -**
 - Besides fulfilling the SDGs, it would help India become a part of the group of elite countries in generating Asset Accounts.

What are the Challenges Related to Accounting of Natural Resources?

- There is lack of proper training and capacity building among state officers.
- Limitations in preparing the asset accounts - mapping the periodicity of data.
- Multiple agencies are involved in data collection for resources; it may give rise to the issues of data sharing/data conflict.

Source: BS